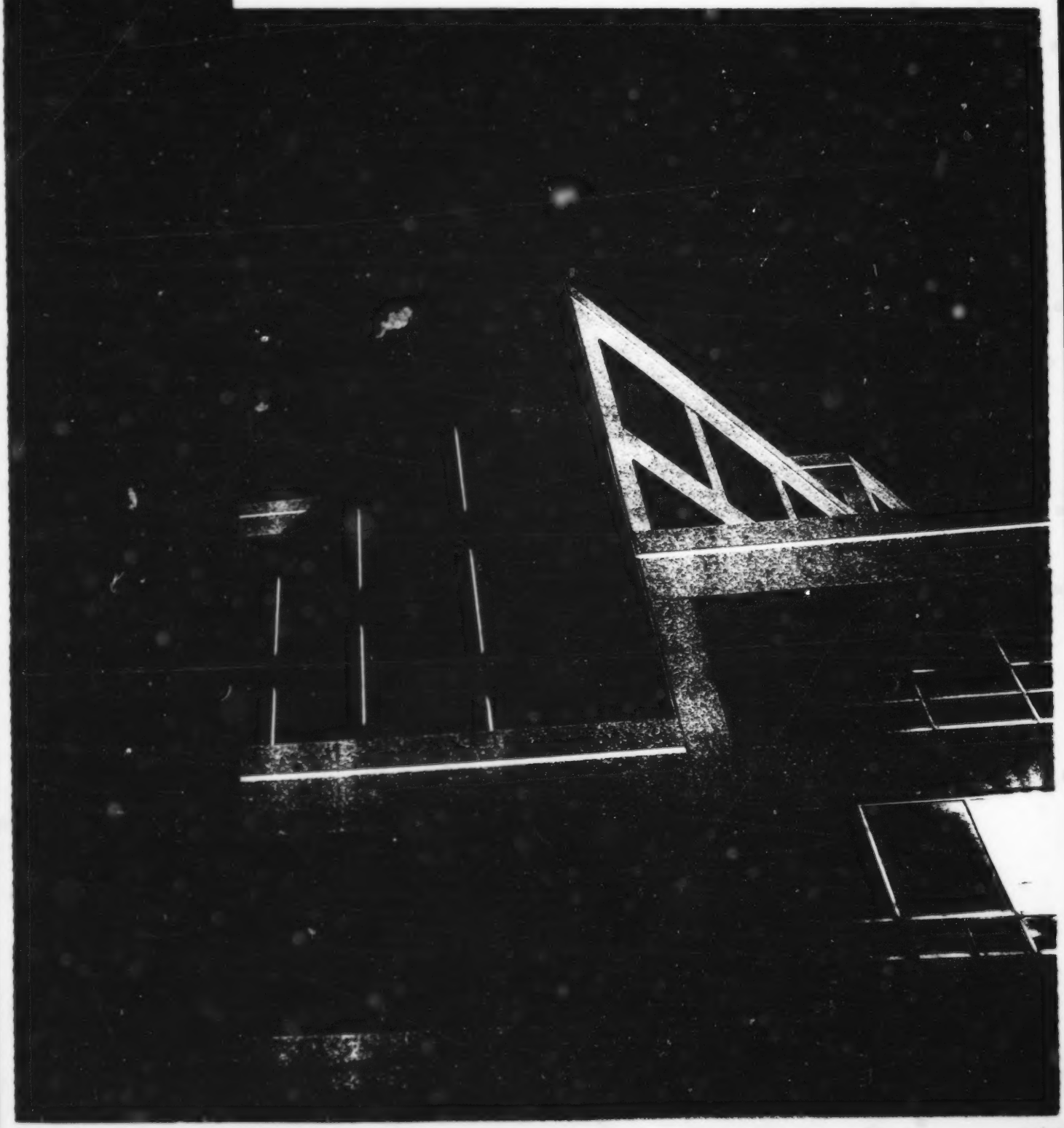
Annual Report 1989



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Highlights of Hydro Activities 1989

- **Construction Activity:** $89 million

  Hydro Place in St. John's became the Corporate head office location

  Paradise River hydraulic generating station opened

  Roddickton wood chip-fired generating station opened

  Holyrood thermal generating station – uprating on Unit No. 2 completed

  138-kV transmission line construction commenced at three Island locations

  Diesel plant completed in Charlottetown, Labrador

  Diesel plant construction commenced in Davis Inlet, Labrador

  Churchill Falls Staff House extension commenced

- **Net Income:** $23.9 million
- **Debt/Equity Ratio at Year End:** 82:18
- **Power Distribution District (PDD)** integrated with Hydro

- **Island Energy Production:** 5937 million kW.h
- **Island Peak Demand:** 1,230,000 kW (Interconnected System)

Newfoundland and Labrador Hydro

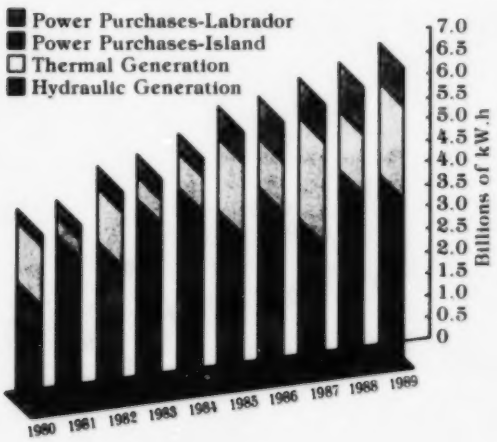
Energy

Production

- **Total Energy Produced, 1989:** 5937 Million kW.h
- **Total Energy Produced, 1988:** 5658 Million kW.h
- **Percent Increase, Energy Production, 1989 from 1988:** 4.9%
- **1989 Peak Demand, Island System:** 1,230,000 kW (February 17, 1989)

This peak is slightly lower than the record of 1,232,000 kW set in 1988.

Figure A
System Generation and Energy Purchases



Thermal Energy Production

- **Total Amount of Fuel Consumed (Bunker "C") at the Holyrood Oil-Fired Thermal Generating Station:** 3.3 million barrels
- **Total Thermal Energy Produced, Holyrood:** 2135 million kW.h.
- **Total Thermal Energy Produced, Gas Turbines:** 5 million kW.h

The Holyrood Oil-Fired Generating Station is located in Holyrood, near St. John's.

Gas turbines are located at Holyrood, Stephenville and Hardwoods. Hardwoods is situated close to St. John's.

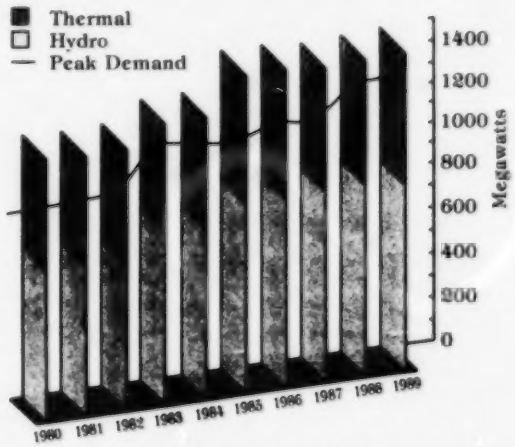
As a result of low reservoir levels, a decrease in hydraulic energy production was again recorded in 1989.

- **Percent Decrease, Hydraulic Energy Production, 1989 from 1988:** 9%

Energy Supply From Hydraulic Generation

	(Millions of kW.h)
Bay D'Espoir	2315
Cat Arm	670
Upper Salmon	515
Hinds Lake	273
Paradise River	24
	3797

Figure B
Generating Capacity and Demand



Note: Excludes demand in Labrador supplied by purchased power

Ten-year growth of hydraulic and thermal production, with annual peaks.

Sales

Island Customers

Energy sales to Island customers reached a new record high in 1989.

- **Total Energy Sales to Island Customers, 1989:** 5650 Million kW.h
- **Percent Increase, Island Energy Sales, 1989 from 1988:** 4.4%
- **Total Energy Sales to Utility Customers, 1989:** 4215 Million kW.h.
- **Percent Increase, Sales to Utility Customers, 1989 from 1988:** 9.7%
- **Total Energy Sales to Industrial Customers, 1989:** 1435 Million kW.h
- **Percent Decrease, Sales to Industrial Customers, 1989 from 1988:** 8.4%

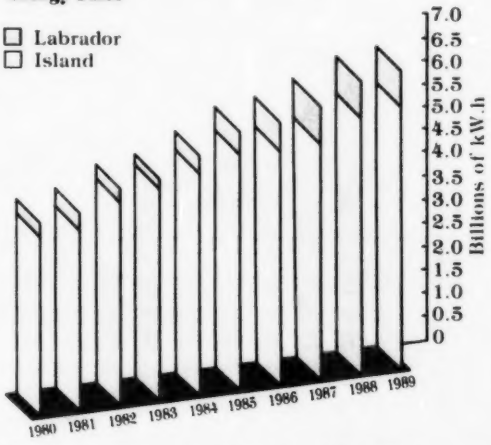
Labrador Customers

- **Total Energy Sales to Labrador Customers, 1989:** 687 Million kW.h.
- **Percent Increase, Labrador Energy Sales, 1989 from 1988:** 4.0%
- **Total Industrial and Secondary Energy Sales, 1989:** 500 Million kW.h.
- **Percent Increase, Industrial and Secondary Energy Sales, 1989 from 1988:** 2.9%
- **Total Utility Sales, 1989:** 187 Million kW.h.
- **Total Increase, Utility Sales, 1989 from 1988:** 6.9%

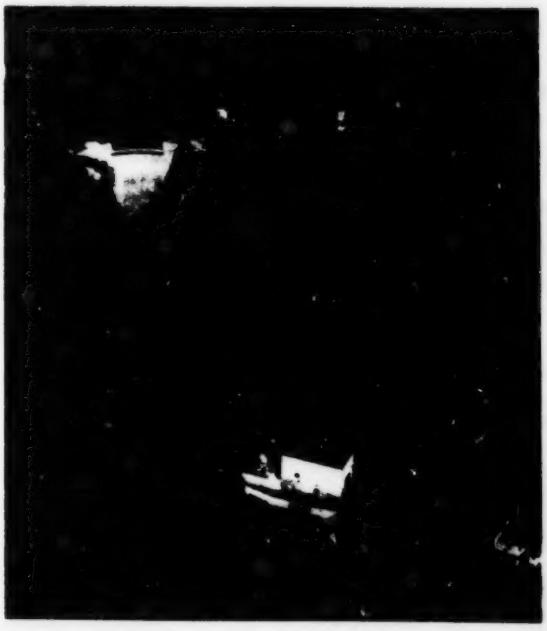
1989 Total Electrical Energy Supply

Type of Generation	Total Supply	Millions of kW.h
Hydraulic	64%	3,797
Thermal	36%	2,140
	100%	5,937

Figure C
Energy Sales



Ten-year growth in Island and Labrador Sales.



Construction Activity

The degree of construction activity in 1989 generally matched that of 1988. Capital expenditures amounted to approximately $89 million.

Hydro Place

Construction was virtually completed on "Hydro Place", our new Corporate headquarters located in St. John's. Most staff moved to the new premises prior to year end. The Energy Control Centre, situated adjacent to the office complex, is scheduled for completion by September 1990.

Paradise River

The Paradise River hydroelectric development on the Burin Peninsula was completed and brought into service in February. The project added 8 megawatts (MW) of electrical power and approximately 37 million kilowatt hours (kW.h.) of energy annually to the overall generating system capability. The final capital cost of this project was $24 million.

Roddickton

The Roddickton wood chip-fired generating plant and 69-kilovolt (kV) transmission facility from Roddickton to St. Anthony was completed during the year and officially opened in November. The plant has a capacity of 5 MW and an annual energy capability of 32 (GW.h.). The generating station will burn wood chips for fuel and have a staff of eighteen. In addition, it will create employment for thirty-five to forty persons in supplying 50,000 tons of wood chips annually for the operation of the facility. The project was constructed over a two-year period at a cost of $36 million.

Holyrood

The uprating of Unit No. 2 at the Holyrood Thermal Generating Station increases capacity from 150 MW to 175 MW. The unit was returned to service in late 1989 with most of the work associated with this uprating completed. The cost of the project, now virtually complete, is approximately $11 million.

Concurrent with this uprating, the original boiler control system for the unit was replaced by a more up-to-date computerized digital system.

Bishop's Falls

Completion, early in the year, of the new Service Building provides improved maintenance facilities and office premises for the operations and maintenance crews working from the Bishop's Falls complex.

Coastal Labrador

The construction of a new diesel plant building in Charlottetown and the start of a new facility at Davis Inlet will provide greater capacity to better meet the electrical requirements of the residents of these isolated communities.

Bay D'Espoir

A number of modifications for the Bay D'Espoir hydroelectric generating system were completed during the year.

The construction of a cutoff dyke near the Ebbegunbaeg Control Structure and the upgrading of a spillway structure on the Long Pond Reservoir enhances operational efficiency and improves the capability for handling extreme floods.

Island Transmission Systems

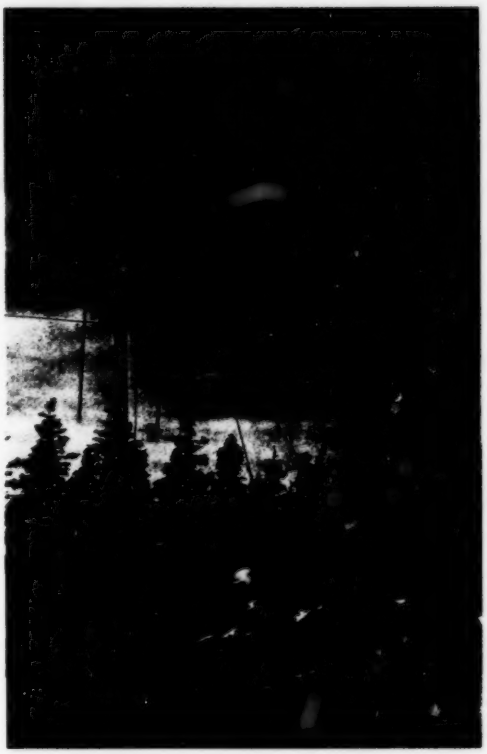
Completion of grounding improvements on the 230-kilovolt transmission line between Grand Falls and Buchans in Central Newfoundland will better protect station equipment from lightning strikes.

Work commenced on three separate 138-kilovolt transmission lines on the Island in order to meet increased load growth as well as to enhance system reliability.

With the completion of design work for the 87-kilometre line located on the Great Northern Peninsula, between Berry Hill and Peter's Barren, construction is scheduled to commence in January 1990 for project completion in the fall of that year. This project is estimated to cost $21 million.

Work also commenced on construction of the 155-kilometre line running from Sunnyside to Salt Pond on the Burin Peninsula. This line is scheduled for completion in late 1990 at an estimated cost of $19 million.

During 1989, we completed the design and survey work for the 35-kilometre line between Seal Cove and Bottom Waters on the Baie Verte Peninsula. Clearing was also completed with construction scheduled for 1990. This project is estimated to cost $9 million.



Looking Ahead

Long-range planning is a crucial component of electrical supply management. It is only by anticipating future needs that we can expect to adequately provide required levels of generation.

Studies undertaken by Hydro indicate that sufficient generation is in place to meet energy requirements until 1996. To that end, a decision on a new source of generation for the Island will likely be made by late 1991 or early 1992.

An evaluation of the rapid growth in electricity demand in the Happy Valley-Goose Bay region of Labrador determined that additional power will be required there in the early 1990s. During 1989, therefore, Hydro decided to install a 25-megawatt gas turbine in Happy Valley-Goose Bay that will be operational by the winter of 1991/1992. The gas turbine will increase the loading capacity of the existing transmission line from Churchill Falls and will provide additional backup emergency power to the area.

Environmental Awareness

Newfoundland and Labrador Hydro was one of the first corporations in the Province to develop environmental policies and to implement environmental protection measures. We continue to do our utmost to minimize environmental impacts in all our activities and liaise regularly with federal and provincial regulatory agencies.

Increased load growth on the Great Northern Peninsula required construction of additional 138-kilovolt transmission line through Gros Morne National Park, to support the existing 66-kilovolt system. Environmental studies initiated by our Environmental Services Department facilitated federal and provincial approval in 1989.

Planning studies to determine a new source of generation on the Island identified a fourth thermal generating unit at Holyrood and a small hydro development at Island Pond as two possible alternatives. Environmental assessments on these projects are virtually complete.

In accordance with government direction and our own five-year plan, we will remove from service all material with high-level concentrations of PCB's, by the end of 1993.

Our Corporate commitment over the long term extends to the removal of all other materials contaminated with PCB's. With the approval of environmental authorities, a mobile decontamination unit, transported to our Bishop's Falls location, successfully treated 120,000 litres of oil containing low-level concentrations of PCB's during 1989.

Rates

During 1989, the Public Utilities Board (PUB) approved a change to Hydro's retail rate, the effect of which was a reduction of .42 mills per kilowatt hour.

Annually, the Rate Stabilization Plan absorbs major cost variations. Rate adjustments amortize the balance in the Plan over three years. In 1989 the Plan produced a rate reduction of 3.12 mills per kilowatt hour for retail costumers and a .92 mills per kilowatt hour increase for industrial customers.

In its June 6, 1989 Budget Speech, the Provincial Government announced the three-year phaseout of an annual subsidy formerly paid to Hydro for the distribution of electricity in rural areas managed by the Power Distribution District. This subsidy would have amounted to approximately $32 million in 1990, had it remained in effect.

At the same time, Government announced the imposition of a 1% guarantee fee on Hydro's outstanding guaranteed long-term debt. In 1989, this fee amounted to approximately $9 million.

As a result of these two measures, in the latter part of 1989 the Board of Directors of Hydro approved a rate increase for industrial customers. Further, it is expected that in early 1990 we will file an application with the PUB for an increase in the rate charged to retail customers.

Employee Relations

The face of Hydro changed considerably in mid-1989 as one hundred and eight employees elected to participate in an Early Retirement Program announced by the Provincial Government. The many years of dedication and enthusiasm these individuals contributed to the development of Hydro can be measured in the tremendous achievements recorded by the Corporation while they served with us.

In May, an agreement was reached with Local 1615 of the International Brotherhood of Electrical Workers (IBEW) and the Hydro Operations Unit for a three-year term ending March 31, 1992.

The employees of the Telecontrol Department achieved the great distinction of attaining one-half million person hours worked without a lost-time accident.

Recognizing that the health of our employees contributes greatly to their well-being, Hydro approached the Heart and Stroke Foundation of Newfoundland and Labrador with the view of developing a program that would promote greater awareness of individual health in the Corporation. Consequently, the Employee Heart, Health and Wellness Assessment Program was introduced during our Safety Week in June. This fully voluntary program was considered to be a success both within the Corporation and the community as a whole.

Churchill Falls (Labrador) Corporation Limited

Energy: Production and Sales

During 1989 a total of 27.56 billion kilowatt hours were produced, representing a decrease of approximately 19% from the previous year and 23% below the estimated projected long-term average. The decrease in energy generation was directly due to the low reservoir level at the commencement of the year and the below-average inflows continuing throughout January to September. This was the sixth consecutive year in which the inflows into the reservoirs were below the long-term average (they were, in fact, 81% of average). Throughout the latter part of the year, however, the monthly inflows exceeded the average and the reservoir storage had increased to 43% capacity by year end.

Power deliveries to Hydro-Québec amounted to 24.34 billion kilowatt hours (2.8 billion kilowatt hours below budget), a decrease of approximately 21% from the previous year. In addition 2.62 billion kilowatt hours were delivered to customers in Labrador, representing an increase of 0.9% as compared to 1988.

Maintenance Activities

All annual inspections on the power generating equipment were conducted and completed within schedule and budget. The overall plant availability for the year was 90.2%. Moreover, 95% of all preventive maintenance assignments on the power facility were completed, comparing favourably to the 7-year average of 93%.

Gate No. 1 of the Whitefish Control Structure was completely unwatered for the first time since it became operational in 1971 and was out of service for a period of 22 weeks. Extensive inspections were performed

with very positive results. The concrete work and associated equipment were found to be in good condition and all necessary repairs and preventive maintenance work were undertaken and completed.

A successful inspection of No. 9 penstock was completed during the year utilizing a remote vehicle and camera. This inspection revealed some minor concrete damage near the bottom of the structure which was subsequently repaired.

The Dyke Board of Consultants performed their annual inspection during the latter part of August. There were no major concerns with the exception of the identification of boils and the movement of fines at the toe of one of the intake dykes. This problem was addressed with the installation of a berm approximately 500 metres in length along the problem area of the dyke.

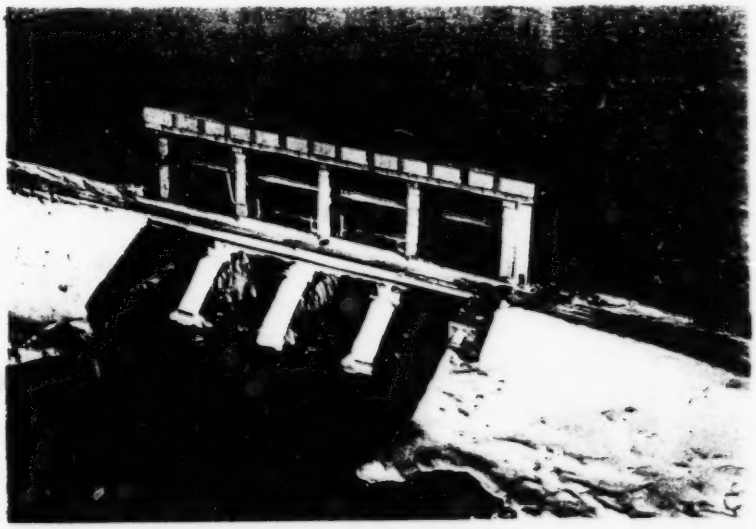
In June, one of the 230 kV/735 kV auto-transformers was removed from service as the result of an internal fault and replaced with the spare unit. The damaged equipment was shipped to the manufacturer's plant in Sweden, where the inspection indicated that both

windings will have to be replaced and the core repaired. The transformer is scheduled to be shipped from Sweden during the summer of 1990.

Construction Activities

A 40-room extension to the Staff House, including dining and recreational facilities, was started during the summer. Favourable progress was achieved and the project was 75% complete at year end. The facility is scheduled for completion during the first half of 1990, at an estimated cost of $3 million.

The phaseout of PCB transformers at the Wabush Terminal Station, the Town Centre, the Intake and the Generating Station was completed as scheduled. A total of 18 transformers were replaced.



Employee Relations

There was a significant decrease (27%) in the total number of accidents during the year and a subsequent decrease (12.5%) in the Severity Rate. There was, however, an increase in disabling injuries from 7 to 8. The Corporation through the Loss Control Program is continually striving to improve its safety performance.

The Board of Trustees of The Power Distribution District

Until the end of 1989, the Power Distribution District of Newfoundland and Labrador (PDD) was managed by Newfoundland and Labrador Hydro on behalf of the Provincial Government. PDD was responsible for the "Rural Electrification Program", designed to bring electrical service to remote areas of the Province.

Revenue from PDD customers has not been sufficient to meet its high operating costs. Consequently, Government provided a subsidy to Hydro to make up the shortfall.

In mid-1989, however, Government announced that it would phase out this subsidy, over a three-year period. Had it remained in effect, the subsidy would have amounted to approximately $32 million in 1990. Government will now pay $12.5 million in 1990 and $2.5 million in 1991.

Concurrent with phasing out the subsidy, Govenment amended The Electrical Power Control Act to enable Hydro to recover its rural losses by increasing its retail and industrial rates.

The altered financial arrangement with Government caused Hydro to integrate the PDD operation with that of Hydro and thereby removed the need for a separate corporate structure.

Energy Production and Sales

During 1989, PDD purchased 84.3% of its energy requirements from Hydro; the remaining 15.7% was produced from diesel generation. Overall sales increased by 4.8%.

Sales by PDD to its 20,860 interconnected customers on the Island and in Labrador, were 447.1 million kilowatt hours: an increase of 7.8% over 1988. Sales to the remaining 8,035 customers on PDD's isolated diesel systems reached 83.6 million kilowatt hours. This represents a decrease of 8.6% from 1988, due to the connection of two diesel systems to the Island grid in late 1988 and early 1989.

Projects

During 1989 the community of Fogo was connected to the Island transmission grid and its diesel-generating station was consequently closed. Approximately 1450 customers in these communities are now able to take advantage of the lower rate structure applicable to energy supplied from the Island transmission grid.

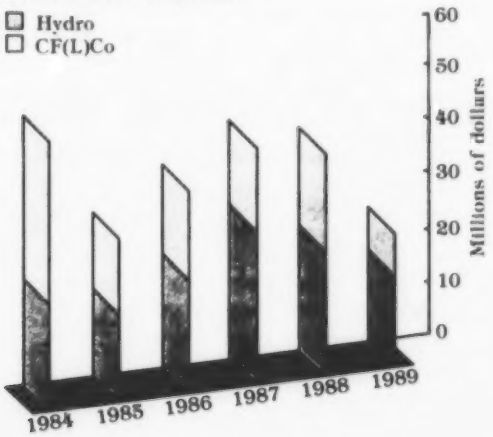
Capital expenditures on PDD projects for 1989 were $24.4 million, compared with $33.4 million in 1988. Of this, $18.1 million was spent on generating facilities (primarily the Roddickton plant) and $4.8 million was spent on upgrading and extending the distribution systems to meet the increasing power demands of customers.

Consolidated Financial Performance (Hydro and CF(L)Co)

Net Income

Hydro's consolidated net income for 1989 amounted to $23.9 million, a decrease of $17.3 million from 1988. Contributing to this lower net income were lower sales revenue, higher operations and administration expenses, higher depreciation expense and higher interest expense partially offset by lower fuel and power purchased costs.

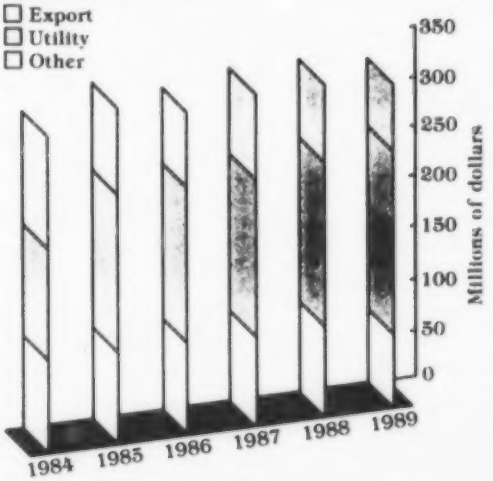
Figure 1
Consolidated Net Income



Revenue

Gross revenue for 1989 was $324.4 million compared with $332.1 million in 1988. This decrease of $7.7 million is mainly the result of lower export sales volume from CF(L)Co which decreased 23.2%, due to lower inflows into CF(L)Co's reservoirs. Sales volume to utility customers in 1989 increased by 9.5% over 1988 while revenue increased by 9.1% or $15.5 million. The volume of sales to industrial customers decreased in 1989 but revenue increased by $0.6 million as a result of an increase in industrial rates effective January 1, 1989.

Figure 2
Consolidated Revenue



Expenses

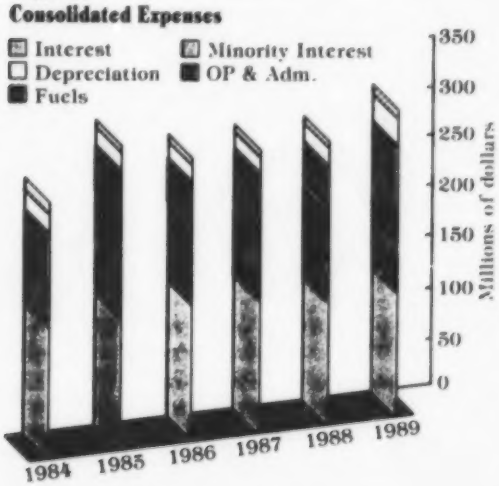
Total expenses for 1989 amounted to $296.1 million compared with $282.2 million in 1988, an increase of 4.9%.

The total cost of fuel and power purchased was $69.5 million in 1989, a decrease of $1.8 million from 1988. This decrease was the result of decreased sales volume of firm energy sales. Operations and administration costs amounted to $65.8 million in 1989, an increase of $6.4 million from 1988. This increase of 10.8% is primarily related to placing new facilities in service and escalation of labour and other costs.

Depreciation expense amounted to $26.2 million in 1989, an increase of $1.9 million or 7.8% over 1988 because additional facilities were placed in service in 1989.

Net interest expense amounted to $134.6 million in 1989 compared with $127.2 million in 1988. The increase of $7.4 million results primarily from the imposition of a debt guarantee fee on Hydro's outstanding guaranteed long-term debt.

Figure 8
Consolidated Expenses



Capital Expenditures

Additions to property, plant and equipment in 1989 amounted to $89.3 million compared with $93.8 million in 1988. The 1989 additions involved increased generating capacity as well as additions to transmission and distribution facilities. A major portion of the 1989 expenditures involved the up-rating of Unit No. 2 at the Holyrood Thermal Generating Station, the Roddickton wood chip-fired generating plant and the completion of the new corporate headquarters building.

CF(L)Co

As was the case in 1988, CF(L)Co's net income had a positive effect on Hydro's investment in that Corporation as follows:

	1989	1988
	($ millions)	
Share of earnings	12.5	21.7
Rental and Royalty	3.1	4.9
	15.6	26.6
Less: Interest on debt financing the investment	8.7	9.9
Net income effect	6.9	16.7

During 1989 CF(L)Co paid dividends of $18.3 million to Hydro and $6.7 million to Hydro-Québec. These compare with the 1988 dividend payments of $21.9 million and $8.3 million respectively.

Segmented information for 1989 is detailed in the following table.

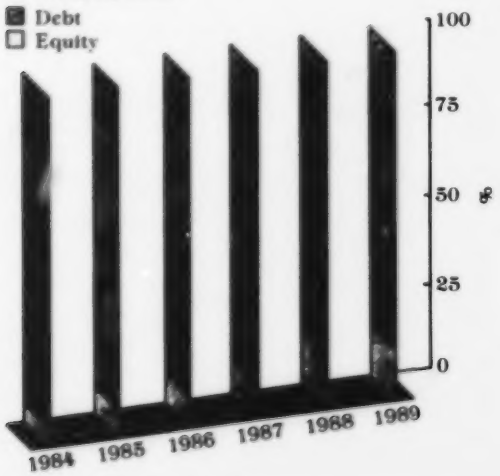
	Hydro	CF(L)Co	Total
		($ millions)	
Revenue	246.5	77.2	323.7
Expenses:			
Operations & administration	40.8	25.0	65.8
Fuels	69.5	–	69.5
Power purchased	2.6	–	2.6
Depreciation	11.7	13.4	25.1
Interest	104.9	20.7	125.6
	229.5	59.1	288.6
Net operating income	17.0	18.1	35.1
Interest on CF(L)Co acquisition & other dedicated costs	–	(6.8)	(6.8)
Minority interest	–	(4.4)	(4.4)
Net income to Hydro	17.0	6.9	23.9

Financial Performance of Newfoundland and Labrador Hydro

Hydro's financial position continues to improve as a result of continued favourable operating results. Hydro's net income for 1989 was $23.9 million compared with $41.2 million in 1988. Hydro's debt/equity ratio was 82/18 at December 31, 1989 compared with 83/17 in 1988. Figure 4 shows the steadily improving debt/equity ratio of Hydro for the past five years.

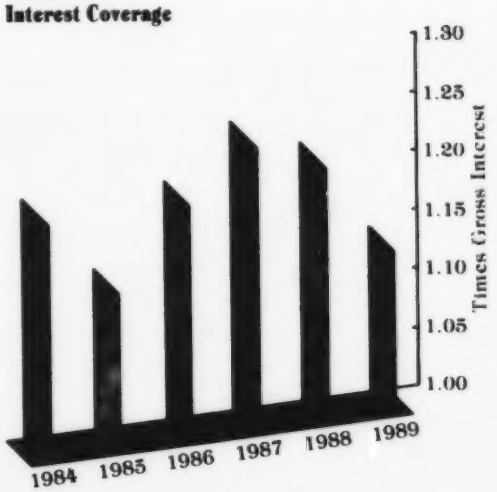
The regulatory authority for Hydro, the Public Utilities Board, has approved an interest coverage range within which Hydro is permitted to earn a return from its retail customers. Hydro sets industrial rates consistent with the guideline established by the Public Utilities Board for retailers. Hydro

Figure 4
Debt/Equity Ratio



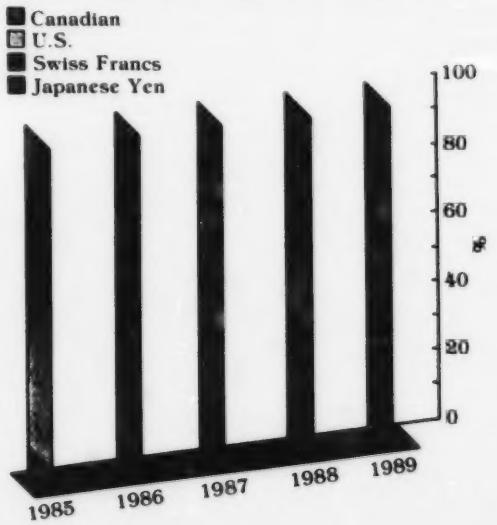
earned an overall interest coverage of 1.14 in 1989. Figure 5 summarizes Hydro's recent interest coverage levels.

Figure 5
Interest Coverage



Hydro has decided to reduce its exposure to exchange losses on foreign debt by borrowing in the Canadian capital market when feasible. In the past five years the proportion of Canadian debt to total debt has increased from 61.5% to 76.1% as shown in Figure 6.

Figure 6
Debt Portfolio by Currency at December 31



The net book value of Hydro's assets in service during the past five years is shown in Figure 7.

Figure 7
Net Book Value of Hydro's Assets in Service

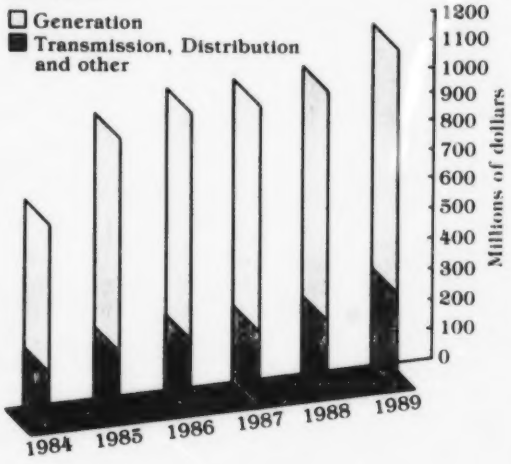
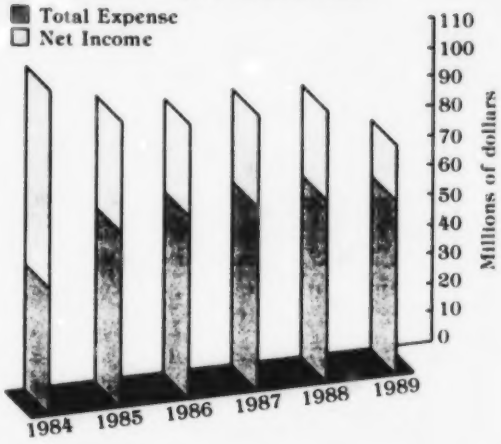


Figure 8
Composition of CF(L)Co Total Revenue



Management Report

The consolidated financial statements of Newfoundland and Labrador Hydro and all information in the Annual report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. The financial statements include some amounts that are based on best estimates and judements.

To assist Management in the discharge of these responsibilities, a system of internal control is maintained which is designed to provide reasonable assurance at reasonable cost that its assets are safeguarded from loss or unauthorized use, that transactions are executed in accordance with Management's authorization, and that the financial records are reliable for preparing timely financial information. The system includes formal policies and procedure and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evalutes the effectiveness of these internal controls on an ongoing basis, and reports its findings to Management and to the Audit Committee of the Board of Directors.

The Board of Directors carries out its responsibilities primarily through its Audit Committee which is comprised solely of outside directors. The Audit Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The internal and external auditors have full and free access to the Audit Committee, with and without the presence of Management.

These financial statements have been examined by the external auditors, Peat Marwick Thorne, Chartered Accountants, and their report is presented below.

Cyril J. Abery,
Chairman & Chief Executive Officer

David W. Mercer,
President

R. Andrew Grant,
Vice-President, Finance and
Chief Financial Officer

Auditors' Report

The Lieutenant-Governor in Council
Province of Newfoundland

We have examined the consolidated balance sheet of Newfoundland and Labrador Hydro as at December 31, 1989 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. John's, Newfoundland
Canada
March 16, 1990

Peat Marwick Thorne
Chartered Accountants

Newfoundland and Labrador Hydro

Consolidated Balance Sheet

December 31, 1989, with comparative figures for 1988

		1988 ($000)
Assets		
Fixed assets (Note 2)		
Property, plant and equipment	2,089,[illegible]	1,980,466
Current assets		
Cash and term deposits	53,[illegible]	46,930
Receivables	58,[illegible]	53,912
Fuel and supplies at average cost	32,[illegible]	27,788
Prepaid expenses	[illegible]	5,256
	148,[illegible]	133,886
Long-term receivable (Note 3)	7,849	11,759
Investment in Twin Falls Power Corporation Limited (Note 4)	3,550	3,686
Lower Churchill option (Note 5)	5,200	5,200
Deferred charges (Note 6)	54,053	50,480
	2,252,026	2,185,477
Liabilities and Shareholder's Equity		
Long-term debt (Notes 8 and 9)	1,443,078	1,389,372
Current liabilities		
Accounts payable and accrued liabilities	40,[illegible]	41,935
Accrued interest	33,[illegible]	32,958
Long-term debt due within one year	34,[illegible]	39,302
Promissory notes (Note 9)	47,[illegible]	84,855
	17[illegible]	199,050
Rate Stabilization Plan	[illegible]	19,168
Deferred revenue	11,[illegible]	–
Minority interest in Churchill Falls (Labrador) Corporation Limited	[illegible]	104,047
Minority interest in Lower Churchill Development Corporation Limited	14,[illegible]	14,750
Shareholder's equity		
Share capital		
Common shares of par value of $1 each. Authorized 25,000,000 shares; issued 22,503,942 shares	[illegible]	22,504
Contributed capital (Note 5)		
Lower Churchill Development	15,[illegible]	15,400
Muskrat Falls Project	[illegible]	2,165
Gull Island Project	100,[illegible]	100,000
Retained earnings	344,[illegible]	319,021
	482,[illegible]	459,090
	2,252,[illegible]	2,185,477

(See accompanying notes)

On Behalf of the Board

Director

Director

Newfoundland and Labrador Hydro

Consolidated Statement of Income and Retained Earnings

For the year ended December 31, 1989, with comparative figures for 1988

		1988 ($000)
Revenue		
Energy sales	[illegible]	324,935
Rentals and royalties		5,586
Other		1,612
	[illegible]	332,133
Expenses		
Operations and administration	[illegible]	59,370
Fuels	[illegible]	70,895
Power purchased	[illegible]	435
Depreciation	26,281	24,279
Interest and guarantee fee (Note 10)	134,585	127,172
	[illegible]	282,151
Net income from operations	[illegible]	49,982
Minority interest	[illegible]	8,770
Net income for the year	[illegible]	41,212
Retained earnings, beginning of year	[illegible]	277,809
Retained earnings, end of year	[illegible]	319,021

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1989, with comparative figures for 1988

		1988 ($000)
Operating activities		
Net income from operations	[illegible]	49,982
Add (deduct) items not involving a cash flow		
Depreciation	[illegible]	24,279
Amortization of deferred exchange loss	[illegible]	2,680
Other amortization	[illegible]	2,553
Rate stabilization plan	[illegible]	34,517
Other	[illegible]	(1,054)
	[illegible]	112,907
Miscellaneous	2,980	2,614
Reduction in long-term receivable	4,410	4,854
Increase in deferred revenue	[illegible]	–
Net change in other non-cash working capital balances related to operations	[illegible]	11,988
Cash provided by operating activities	[illegible]	132,363
Investment activities		
Additions to deferred charges	[illegible]	(4,161)
Additions to property, plant and equipment	[illegible]	(93,796)
Dividends received from Twin Falls Power Corporation Limited	[illegible]	900
Net change in payables and receivables relating to investment activities	[illegible]	10,062
Cash used in investment activities	[illegible]	(86,995)
Financing activities		
Issue of long-term debt	[illegible]	100,000
Reduction in long-term debt	[illegible]	(94,097)
Dividends paid by a subsidiary to a minority interest	[illegible]	(8,295)
Decrease in promissory notes	[illegible]	(41,245)
Cash provided by (used in) financing activities	[illegible]	(43,637)
Net increase in cash	[illegible]	1,731
Cash position at beginning of year	[illegible]	45,199
Cash position at end of year	[illegible]	46,930

Newfoundland and Labrador Hydro

Notes to Consolidated Financial Statements

December 31, 1989

Newfoundland and Labrador Hydro ("Hydro") is incorporated under a special act of the Legislature of the Province of Newfoundland (the "Province") as a Crown corporation and its principal activity is the development, generation and sale of electric power. Hydro and its subsidiary companies are exempt from paying income taxes under Section 149(1)(d) of the Income Tax Act.

1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles as established in Canada. In order to match revenues and costs and to conform with recommendations of the Board of Commissioners of Public Utilities ("PUB"), Hydro's accounting for foreign exchange differs from that recommended by the Canadian Institute of Chartered Accountants.

Rates and Regulations *(excluding sales by subsidiaries)*

The rates charged by Hydro, excluding sales by subsidiaries, are governed by The Electrical Power Control Act (the "Act"). Under the Act, Hydro is required to charge rates to all its customers designed "to recover the cost of service provided by it and a margin of profit sufficient to achieve and maintain a sound financial position so that it is able to achieve and maintain a sound credit rating in the financial markets of the world". There are presently four long-term contracts with industrial customers which were entered into prior to the coming into being of the Act and which do not allow Hydro to recover costs plus a margin of profit and therefore require payments from the Province to Hydro in order to ensure that Hydro meets the requirements of the Act. These payments were $9,692,000 for the year ended December 31, 1989 (1988 $15,688,000).

Rates proposed for retail customers from which approximately 75.3% of Hydro's revenue is derived (1988 71.9%) are subject to public hearings, following which the PUB recommends rates. The PUB has also determined that Hydro's net income from retail customers should provide coverage of from 1.15 times to 1.25 times its gross interest cost in order to achieve the profit margin required by the Act. If the Lieutenant-Governor in Council does not change the rates recommended by the PUB within 15 days, the recommended rates become effective. Should the Lieutenant-Governor in Council approve rates which are lower than those recommended by the PUB, the Act requires the Province to enter into financial and other arrangements as may be necessary to enable Hydro to conform to the Act quoted above. The Lieutenant-Governor in Council has accepted all rate recommendations of the PUB to date. Rates, compatible with the Act, charged to industrial customers are set by the Board of Directors of Hydro.

Principles of Consolidation

The consolidated balance sheet includes the accounts of Hydro and those of its subsidiary companies, Churchill Falls (Labrador) Corporation Limited ("CF(L)Co"), (65.8% owned), Gull Island Power Company Limited ("GIPCo"), (100% owned) and Lower Churchill Development Corporation Limited ("LCDC"), (51% owned).

CF(L)Co is incorporated under the laws of Canada and has completed and commissioned a hydroelectric generating plant and related transmission facilities situated in Labrador and having a rated capacity of 5,428,000 kilowatts ("kW") (the "CF(L)Co Project"). A power contract with Hydro-Québec, dated May 12, 1969 ("Power Contract") provides for the sale of substantially all the energy from the CF(L)Co Project until 2041.

The cost of the investment in CF(L)Co exceeds the equity in the book value of the net assets acquired by $77,148,000. This amount is assigned to property, plant and equipment and is being written off on a straight-line basis at the rate of 1½% per annum. As at December 31, 1989 $17,358,000 (1988 $16,201,000) had been written off.

Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, (the "Lease"), CF(L)Co must pay rentals and royalties to the Province annually. These rentals and royalties have been assigned to Hydro.

A portion of Hydro's shareholding in CF(L)Co is deposited in a voting trust pursuant to an agreement with Hydro-Québec.

GIPCo is incorporated under the laws of Canada and was established with the objective of developing the hydroelectric potential at Gull Island on the Lower Churchill River in Labrador, and of constructing a direct current transmission system from Labrador to the island of Newfoundland (the "Gull Island Project"), (See Note 5).

LCDC is incorporated under the laws of Newfoundland and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River (the "Lower Churchill Development"), (See Note 5).

Although CF(L)Co owns voting control (66⅔%) of Twin Falls Power Corporation Limited ("TWINCo"), its equity interest is 33⅓% and as the principal assets and credit resources of TWINCo cannot be transferred to CF(L)Co, consolidation is not considered appropriate and the investment is carried on an equity basis.

Fixed Assets and Depreciation

Expenditures for additions, improvements and renewals are capitalized and normal expenditures for maintenance and repairs are charged to operations.

Hydro, GIPCo and LCDC

Plant under construction includes the costs incurred in preliminary feasibility studies, engineering and construction of new generation, transmission and distribution facilities. Interest is charged to plant under construction at rates equivalent to the weighted average cost of the most recent funds borrowed. The average rate for the year ended December 31, 1989 was 11.07% (1988 9.41%).

Depreciation is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Depreciation on other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

Generation	
Hydroelectric	50, 75 and 100 years
Thermal electric	25 and 30 years
Diesel electric	20 years
Transmission	
Lines	40 and 50 years
Switching stations	40 years
Distribution System	30 years

CF(L)Co

Depreciation is provided for at a rate of 1½% per annum on a straight-line basis.

Deferred Charges

Debt discount and financing expenses

These costs are, in general, amortized on a straight-line basis over the lives of the respective debt issues.

Deferred foreign exchange loss

CF(L)Co's unrealized foreign exchange loss, net of accumulated charges to income, is amortized over the remaining life of the related long-term debt.

In 1985, the PUB accepted the inclusion by Hydro of realized foreign exchange losses in rates charged to customers commencing in 1986. Any such loss not recovered due to the operation of the rate setting process is deferred to the time of the next rate hearing for inclusion in the new rates set at that time.

Deferral of major repairs

Subject to the PUB's approval, costs of major repairs of an extraordinary and non-recurring nature are amortized to income over periods ranging from five to ten years commencing in the year in which they are incurred. The PUB has accepted the inclusion of these charges in determining Hydro's regulated rates.

Feasibility studies and other

These costs are amortized on a straight-line basis over a five-year period.

Power Distribution District Recoverable Costs

These costs will be amortized over a period to be approved by the PUB.

Rate Stabilization Plan

On January 1, 1986 Hydro, having received the concurrence of the PUB, implemented a rate stabilization plan which provides for the deferral of cost variances resulting from changes in fuel prices, levels of precipitation and load. The balance in the plan on each July 1 is amortized over a three year period. Adjustments required in retail rates to cover the amortization of the balance in the plan are automatic on July 1 of each year. Similar adjustments required in industrial rates are automatic on January 1 of each year.

Revenue Recognition

Revenue is recorded on the basis of power deliveries made.

Deferred revenue represents amounts billed under the Power Contract in excess of power delivered. Amounts delivered in excess of the base amount represent unbilled receivables. Under the terms of the power contract, these amounts are subject to periodic review and adjustment.

Differences between the power delivered and the base amounts are determined annually and are subject to interest at 7%.

Foreign Currencies

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At each balance sheet date monetary assets and liabilities, except for long-term debt and its related current portion, are translated using exchange rates at that date.

(i) In the case of Hydro, long-term debt, including current portion, is translated in accordance with rate making practices, at exchange rates prevailing when the debt was incurred. Therefore, no recognition is given in the accounts to unrealized gains or losses.

(ii) Under the provisions of the Power Contract CF(L)Co's exposure for a foreign exchange loss is limited. CF(L)Co recovers a portion of the difference between actual exchange rates prevailing at the settlement date of its First Mortgage Bonds 7¾% Series A and a Weighted Average Exchange rate as defined in the Power Contract.

The unrealized foreign exchange loss not recoverable under the Power Contract has been deferred and is being amortized to operations over the remaining life of the debt.

(c) Recorded gains or losses arising on foreign currencies are included with interest in the statement of income.

2. Fixed Assets

	1989 ($000)	1988 ($000)
Hydro		
Property, plant and equipment, at cost	1,341,633	1,221,381
Less contributions in aid of construction	85,154	86,114
	1,256,479	1,135,267
Less accumulated depreciation	117,457	103,583
	1,139,022	1,031,684
Plant under construction	31,531	70,055
	1,170,553	1,101,739
GIPCo		
Gull Island Project, at cost (Note 5)	98,079	98,290
CF(L)Co (a)		
Property, plant and equipment, at cost	972,257	967,037
Less accumulated depreciation	225,724	211,205
	746,533	755,832
LCDC		
Capital studies (Note 5)	24,687	24,605
	2,039,852	1,980,466

(a) CF(L)Co assets are pledged as security for its long-term debt.

3. Long-Term Receivable

The long-term receivable from Hydro-Québec bears interest at 7% per annum and is receivable over the next three years. The current portion of $4,410,000 (1988, $4,410,000) has been reclassified to current assets.

4. Investment in Twin Falls Power Corporation Limited

	1989 ($000)	1988 ($000)
Shares, at cost	2,500	2,500
Equity in retained earnings at beginning of year	1,186	1,233
Equity in net income for the year	940	853
Dividends for the year	(1,076)	(900)
	3,550	3,686

5. Lower Churchill Option

LCDC was incorporated in 1978 pursuant to the provisions of an agreement (the "Principal Agreement"), between the Province and the Government of Canada. The Province and the Government of Canada own equity interests of 51% and 49% of LCDC, respectively. The Principal Agreement provides that future issues of Class A common shares shall preserve, as nearly as possible, this ratio of beneficial ownership. Hydro is the designate for the Province's shareholding in LCDC.

Upon agreement to continue with the Lower Churchill Development, GIPCo's assets and the hydroelectric development rights to the Lower Churchill River, (the "Water Rights"), will be acquired by LCDC pursuant to the provisions of an agreement between LCDC and the Province, (the "Option Agreement"). The purchase price in respect of GIPCo's assets will be a maximum of $100,000,000 less $5,200,000 representing the value assigned to 520 Class A common shares of LCDC issued pursuant to the signing of the Option Agreement. As consideration for GIPCo's assets, LCDC will issue a 10% Convertible Demand Debenture in the amount of $94,800,000. LCDC will issue 3,000 Class B common shares, without nominal or par value, to the Province in consideration of the Water Rights and the Province will transfer such shares to Hydro. The Option Agreement expires November 24, 1990 and it is not anticipated that there will be any loss upon sale of GIPCo's assets to LCDC.

Hydro has acquired 1,540 Class A common shares of LCDC which have a stated value of $10,000 each. 520 shares were acquired in 1979 pursuant to signing of the Option Agreement and 510 shares were acquired in each of the years 1980 and 1981, by way of capital contributions from the Province.

In 1980, the LCDC Board of Directors issued a report to the shareholders recommending development of the Muskrat Falls site and the transmission of the power to the island of Newfoundland. Engineering studies for the transmission system have been completed but a final commitment to the project awaits shareholders' approval.

6. Deferred Charges

	1989 ($000)	1988 ($000)
Debt discount	13,310	13,993
Deferred foreign exchange loss	27,310	32,932
Major repair costs	241	359
Feasibility studies and other	3,045	3,196
Power Distribution District recoverable costs	10,147	–
	54,053	50,480

7. Power Distribution District

Hydro administered the Power Distribution District of Newfoundland and Labrador ("PDD"), a statutory corporation of the Province. PDD was responsible for the provision of electricity to its customers in certain remote rural communities. Hydro financed the capital requirements of PDD, managed PDD's operating responsibilities and was fully reimbursed for all costs associated therewith.

As a result of legislation passed by the Province in 1989, PDD ceased to exist as of December 31, 1989. All property, assets, obligations and liabilities of PDD were assumed by Hydro on January 1, 1990.

Also, the Province announced in its June 6th, 1989 Budget that it intended to phase out the subsidy for the operation of PDD over a three year period commencing in 1989 and that Hydro is to recover these amounts from its retail and industrial customers.

8. Long-Term Debt

	1989			1988
	Hydro ($000)	CF(L)Co ($000)	Total ($000)	Total ($000)
Summary of longterm debt,				
Bonds notes and debentures	909,650	459,784	1,369,434	1,313,186
Government of Canada loans	73,644	–	73,644	76,186
	983,294	459,784	1,443,078	1,389,372

At December 31, 1989 it is estimated that required repayments of long-term debt over the next five years will be as follows:

	($000)
1990	54,000
1991	46,800
1992	202,100
1993	46,400
1994	48,500

Details of long-term debt are as follows:

Hydro

Bonds, notes and debentures, redeemable at the option of Hydro at various times and at various rates, none of which exceed 102¼% of par.

Series	Interest Rate %	Year of Issue	Year of Maturity		Foreign Funds	1989	1988	
					($000)	($000)	($000)	
	5¼	1965	1990	U.S.	6,920	7,468	9,497	(a)
	7¾	1968	1993	U.S.	25,000	26,773	26,773	(b)
	9	1969	1994	U.S.	8,250	8,869	9,353	
	8¼	1972	1992			15,000	15,000	(b)
	8¼	1974	1999			20,000	20,000	(b)
	10¾	1975	1995			25,000	25,000	(b)
	4¾	1975	1992	S.Fr.	75,000	28,286	28,286	
	10¼	1976	2001			30,000	30,000	(b)
	10	1977	2002			30,000	30,000	(b)
J	10	1977	2002			35,000	35,000	(b)
K	10¼	1978	2001			35,000	35,000	(b)
L	10	1978	2003			40,000	40,000	(b)
	9¼	1979	1994	U.S.	41,000	47,394	57,797	
M	11¼	1979	1999			110,000	110,000	(b)
N	13¾	1981	2001			75,000	75,000	(b)
	15⅛	1982	1992	U.S.	100,000	124,072	124,072	
	7⅞	1985	1995	¥	7,000,000	37,349	37,349	
S	9¼	1986	1996			100,000	100,000	
T	10¼	1987	1997			100,000	100,000	(c)
U	9¼	1988	1998			100,000	100,000	(d)
V	10¼	1989	2014			125,000	–	
						1,120,211	1,008,127	
Less sinking funds						176,059	150,327	
						944,152	857,800	
Less payments due within one year						34,502	20,464	
						909,650	837,336	

(a) Secured by an assignment of amounts receivable under a power contract.
(b) A sinking fund has been established for this issue.
(c) The holder of any debenture has the right to elect that such debenture shall mature on December 15, 1992 and Hydro has the right to increase the rate of interest on all debentures of this issue from that date to December 15, 1997.
(d) Interest will increase to 10¼% on August 2, 1993. The holder of any debenture has the right to elect that such debenture shall mature on August 2, 1993 and Hydro has the right to further increase the rate of interest on all debentures of this issue from that date to August 2, 1998.

Government of Canada Loans

These loans, in the aggregate amount of $76,186,000 (1988 $78,562,000), including the current portions, bear interest at various rates from 5¼% to 8½% and each loan is repayable following the completion date of the related facility, by thirty or forty equal annual instalments including interest. The years of maturity of these loans range between 2003 and 2014, and the current portion as at December 31, 1989 was $2,542,000 (1988 $2,376,000).

Based on exchange rates in effect at December 31, 1989, the approximate amount required to discharge foreign currency debt obligations recorded in the accounts in Canadian dollars as $280,211,000 would be $322,531,000 (1988, as $293,127,000 would be $356,720,000).

CF(L)Co

	1989 ($000)	1988 ($000)
First Mortgage Bonds		
7¾% Series A due December 15, 2007 (U.S. $337,601,000)	359,553	373,785
7⅞% Series B due December 15, 2007	33,888	35,152
General Mortgage Bonds		
7½% due three years after latest maturity of any First Mortgage Bonds	81,708	83,375
	475,149	492,312
Less payments due within one year	15,365	16,462
	459,784	475,850

The First Mortgage Bonds, Series A and B, are repayable in fixed semi-annual and in contingent annual sinking fund instalments which commenced in June 1978.

The Deed of Trust and Mortgage securing the General Mortgage Bonds provides for semi-annual sinking fund payments which commenced in June 1980. Each payment is equal to 1% of the aggregate principal amount outstanding on January 1, preceding each payment date. The General Mortgage Bonds are subordinate to the First Mortgage Bonds.

Under the terms of long-term debt instruments, CF(L)Co may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976.

9. Guarantees by the Province

The Province has unconditionally guaranteed the principal and interest on promissory notes and long-term debt, except for the Swiss franc loan and the debt of CF(L)Co.

Effective in 1989 the Province commenced charging Hydro a guarantee fee of one percent annually on its outstanding guaranteed long-term debt.

10. Interest Expense and Guarantee Fee

	1989 ($000)	1988 ($000)
Gross interest		
Long-term debt	166,613	164,588
Promissory notes	10,042	7,096
	176,655	171,684
Amortization of debt discount and financing expense	1,838	1,723
Exchange loss on sinking fund transactions and retirement of debt	4,233	1,645
	182,726	175,052
Less:		
Recovered from:		
Hydro-Québec (a)	14,643	16,073
PDD	9,980	5,946
Interest during construction	4,259	2,712
Interest earned	28,340	23,149
Net interest expense	125,504	127,172
Debt guarantee fee	9,081	–
Net interest and guarantee fee	134,585	127,172

(a) Under the terms of the Power Contract, CF(L)Co recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt.

Also, CF(L)Co can require Hydro-Québec to make additional advances against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses if funds are not otherwise available.

11. Commitments and Contingent Liabilities

(a) Under the terms of a sublease with TWINCo expiring on December 31, 2014, CF(L)Co is required to deliver to TWINCo, at an agreed price, horsepower equivalent to the installed horsepower of the TWINCo plant and to maintain TWINCo's plant and equipment.

(b) Hydro has received claims instituted by various companies with respect to construction costs, outages and plant shutdowns. The aggregate of these claims, less any amounts that have been provided for in Hydro's financial statements is approximately $2,012,000 (1988 $2,656,000). The final resolution of these matters is currently under negotiation.

(c) All employees are covered by the Province's Public Service Pension Plan to which contributions are made equally by employers and employees.

(d) Hydro's outstanding commitments for capital projects total approximately $25,730,000 at December 31, 1989 (1988 $32,767,000).

Financial Statistics

(in millions of dollars)
Years Ended December 31

	1989	1988	1987	1986	1985	1984	1983	1982	1981
Operating Results:									
Revenue									
Energy sales	312.4	324.9	325.4	314.0	323.7	268.9	236.1	225.0	195.6
Rentals and royalties	5.8	5.6	5.7	5.9	5.4	8.5	4.9	5.3	5.9
Other	1.2	1.6	1.1	0.9	1.5	*37.0	1.8	2.3	1.8
	324.4	332.1	332.2	320.8	330.6	314.4	242.8	232.6	203.3
Expenses									
Operations & administration	65.8	59.4	54.9	54.2	51.1	52.7	47.4	48.1	40.4
Fuels	69.5	71.2	61.8	53.6	95.1	49.4	31.7	40.2	17.5
Depreciation	26.2	24.3	22.9	23.0	22.9	22.3	22.2	22.4	22.1
Interest	134.6	127.2	140.1	144.2	121.4	117.0	115.4	91.2	91.7
	296.1	282.1	279.7	275.0	290.5	241.4	216.7	201.9	171.7
Net income before minority interest	28.3	50.0	52.5	45.8	40.1	73.0	26.1	30.7	31.6
Minority interest	4.4	8.8	9.1	9.3	11.0	22.1	9.7	10.6	13.0
Net income	23.9	41.2	43.4	36.5	29.1	50.9	16.4	20.1	18.6
Contributions to Net Income									
Hydro Corporate	17.0	24.5	27.8	22.1	15.0	19.7	14.3	16.5	10.8
CF(L) Co	6.9	16.7	15.6	14.4	14.1	31.2	2.1	3.6	7.8
Financial Position:									
Total current assets	142.0	133.9	138.6	126.7	140.4	135.4	112.3	183.4	144.3
Total current liabilities	172.1	199.0	263.6	173.0	224.2	168.5	147.0	121.2	108.2
Net working capital	(30.1)	(65.1)	(125.0)	(46.3)	(83.8)	(33.1)	(34.7)	62.2	36.1
Property, plant & equipment	2,382.9	2,295.3	2,203.0	2,167.1	2,141.8	2,108.2	2,011.9	1,864.1	1,712.4
Accumulated depreciation	342.9	314.8	289.6	265.3	241.5	218.4	197.5	174.8	152.4
Property, plant & equipment net	2,039.8	1,980.5	1,913.4	1,901.8	1,900.3	1,889.8	1,814.4	1,689.3	1,560.0
Other assets	77.2	71.1	94.5	66.8	63.7	77.7	35.8	35.2	34.1
Long-term debt	1,461.1	1,389.4	1,346.7	1,422.7	1,411.4	1,474.3	1,427.7	1,425.5	1,296.8
Other liabilities	138.0	138.0	118.3	125.1	130.8	151.2	129.8	119.0	111.1
Shareholder's equity	459.1	459.1	417.9	374.5	338.0	308.9	258.0	242.2	222.3
Employees at year end:									
Permanent	1,219	1,219	1,220	1,201	1,196	1,197	1,213	1,232	1,205
Temporary	215	215	135	132	113	107	93	95	126
Total	1,434	1,434	1,355	1,333	1,309	1,304	1,306	1,327	1,331

(Includes unusual item relating to a sale of power adjustment of $35.3)*

Operating Statistics

Years Ended December 31

	1989	1988	1987	1986	1985	1984	1983	1982	1981
Installed generating capacity at end of period (rated kW in thousands)									
CF(L)Co	5,428	5,428	5,428	5,403	5,403	5,225	5,225	5,225	5,225
TWINCo.	225	225	225	225	225	225	225	225	225
Hydro – Hydraulic	899	891	891	891	891	764	764	680	680
– Thermal	688	659	637	638	637	637	637	638	636
Total	7,240	7,203	7,181	7,157	7,156	6,851	6,851	6,768	6,766
Electric energy generated, net of station services (kWh in millions)									
CF(L)Co	27,455	33,899	33,308	33,721	34,777	38,910	33,819	38,242	38,958
Hydro – Hydraulic	3,787	4,154	3,063	3,898	3,449	4,086	3,912	3,134	3,387
– Thermal	2,029	1,412	2,245	1,255	1,725	757	575	1,121	414
Total Available for Sale	33,271	39,465	38,616	38,874	39,951	43,753	38,306	42,497	42,759
Electric energy sales (kWh in millions)									
CF(L)Co – Export	24,343	30,702	30,367	30,666	31,833	35,989	31,188	35,715	35,881
Hydro – Utility	4,402	4,018	3,755	3,590	3,536	3,246	3,033	2,992	2,724
– Industrial	1,935	2,054	2,058	2,059	1,975	1,856	1,783	1,628	1,424
Total	30,680	36,774	36,180	36,315	37,344	41,091	6,004	40,335	40,029
Average sales revenue (cents per kWh)									
CF(L) Co – Export	0.31	0.29	0.29	0.29	0.29	0.26	0.29	0.26	0.27
Hydro – Utility	4.02	4.23	4.33	4.36	4.45	3.63	3.12	2.98	2.42
– Industrial	3.14	3.22	3.50	3.28	3.75	3.02	2.89	2.60	2.22
Transmission Lines (kilometres)									
CF(L) Co – 735 kV	608	608	608	608	608	608	608	608	608
– 230 kV	431	431	431	431	431	431	431	431	431
Hydro – 230 kV	1,531	1,531	1,531	1,531	1,531	1,531	1,408	1,353	1,326
– 138 kV	1,073	1,073	1,039	916	916	916	916	916	845
– 69 kV	622	558	539	539	539	539	539	455	443
Total	4,265	4,201	4,148	4,025	4,025	4,025	3,902	3,763	3,653
Peak demand (kW in thousands)									
CF(L)Co System	5,680	5,622	5,765	5,203	5,614	5,530	5,562	5,685	5,680
Hydro System	1,230	1,232	1,065	1,084	1,009	1,013	1,040	881	834

Board of Directors

Newfoundland and Labrador Hydro

Cyril J. Abery, Chairman
Janet C. Gardiner[1]
Edward M. Hearn[1]
Roland T. Martin[1]
Moses O. Morgan[1]
William Case[2]
Gordon Gosse[3]
Trudy Pound-Curtis[3]
John Gale[3]
Shirley Frost[4]
David W. Mercer, *ex officio*[5]
Lawrence D. Fahey[4]
Gilbert Gill[4]
Andrew Crosbie[4]
Harold Duffett[4]
Maire O'Dea[4]
William Earle[4]
Fred Noel[4]
Benedict Alexander[4]
Lois Burton[4]
Kendra Goulding[6]

[1]Resigned February 15, 1989 and re-appointed November 3, 1989.
[2]Appointed November 3, 1989.
[3]Resigned February 15, 1989.
[4]Appointed February 15, 1989 and resigned November 3, 1989.
[5]Appointed February 15, 1989 and resigned June 1, 1989.

Lower Churchill Development Corporation Limited

Cyril J. Abery, Chairman
Charles Marriott, Vice-Chairman[1]
David W. Mercer
Daniel E. Williams
Francis Fizzard[2]
Herb Clarke[1]
Claris Rudkowski[2]
Thomas R. Kendall[2]

[1]Resigned July 4, 1989.
[2]Resigned January 16, 1989.
[3]Appointed February 23, 1989.

Churchill Falls (Labrador) Corporation Limited

Cyril J. Abery, Chairman
David W. Mercer[1]
David S. Templeton[1]
John P. Henderson[2]
Victor L. Young[3]
James R. Chalker[3]
Jean Claude Roy
Jean Bernier
Leo J. Cole, *ex officio*[4]
James J. Greene[4]
Michael Monaghan[4]
Margot Reid[3]
Edmund Grant[3]
John Weger[3]
Dwight Hewlett[3]
Frank Smith[3]

[1]Resigned February 23, 1989 and re-appointed November 30, 1989.
[2]Resigned June 30, 1989 and re-appointed November 3, 1989.
[3]Appointed November 3, 1989.
[4]Resigned February 23, 1989.
[5]Appointed February 23, 1989 and resigned November 30, 1989.
[6]Appointed September 12, 1989.

Gull Island Power Company Limited

Cyril J. Abery, Chairman
David W. Mercer
Leo J. Cole
T. David Collett[2]
R. Andrew Grant
John P. Henderson[1]

[1]Resigned May 18, 1989.
[2]Appointed May 18, 1989.

Power Distribution District of Newfoundland and Labrador

Cyril J. Abery, Chairman
T. David Collett, Vice-Chairman
David W. Mercer
Leo J. Cole
R. Andrew Grant
Garland W. Jennings[1]

[1]Resigned November 30, 1989.

Officers

Newfoundland and Labrador Hydro

Cyril J. Abery, Chairman and Chief Executive Officer
David W. Mercer, President
Leo C. Cole, Executive Vice-President
Samuel D. Banfield, Vice-President, Engineering and Construction
R. Andrew Grant, Vice-President, Finance and Chief Financial Officer
James D. Long, Vice-President, Employee Relations
T. David Collett, Vice-President, Operations
Derek W. Osmond, Vice-President, Rates and Corporate Services
Maureen P. Greene, Vice-President, General Counsel and Corporate Secretary
John C. Roberts, Corporate Controller
Robert D.C. Taylor, Treasurer
Peter A. Hickman, Assistant Corporate Secretary
Gerald C. Bowers, Assistant Treasurer
Mark G.S. Bradbury, Assistant Corporate Controller

Churchill Falls (Labrador) Corporation Limited

Cyril J. Abery, Chairman and Chief Executive Officer
Leo J. Cole, President
David W. Reeves, Vice-President, Operations and Engineering
R. Andrew Grant, Vice-President, Finance and Chief Financial Officer
Maureen P. Greene, Vice-President, General Counsel and Corporate Secretary
John C. Roberts, Corporate Controller
Robert D.C. Taylor, Treasurer
Peter A. Hickman, Assistant Corporate Secretary
Gerald C. Bowers, Assistant Treasurer
Mark G.S. Bradbury, Assistant Corporate Controller

Lower Churchill Development Corporation Limited

Cyril J. Abery, Chairman
David W. Mercer, President and Chief Executive Officer
Maureen P. Greene, Corporate Secretary
Charles Marriott, Vice-Chairman

Gull Island Power Company Limited

Cyril J. Abery, Chairman and Chief Executive Officer
Leo J. Cole, Executive Vice-President
David W. Mercer, President
Samuel D. Banfield, Vice-President, Engineering and Construction
R. Andrew Grant, Vice-President, Finance and Chief Financial Officer
Maureen P. Greene, Corporate Secretary
John C. Roberts, Corporate Controller
Robert D.C. Taylor, Treasurer
Peter A. Hickman, Assistant Corporate Secretary
Gerald C. Bowers, Assistant Treasurer
Mark G.S. Bradbury, Assistant Corporate Controller

Power Distribution District of Newfoundland and Labrador

Cyril J. Abery, Chairman
T. David Collett, Vice-Chairman
Maureen P. Greene, Corporate Secretary
Peter A. Hickman, Assistant Corporate Secretary

NEWFOUNDLAND AND LABRADOR HYDRO
SYSTEMS MAP
GENERATION
TERMINAL STATION
DIESEL
735 KV
230 KV
138 KV
69 KV
U/C UNDER CONSTRUCTION
Nain
Davis Inlet
Hopedale
Postville
Makkovik
LABRADOR
MENIHEK
TWIN FALLS
CHURCHILL FALLS
City
Happy Valley/Goose Bay
MUSKRAT FALLS
proposed
Mud Lake
Rigolet
Cartwright
Black Tickle
Paradise River
Norman Bay

TWIN FALLS
CHURCHILL FALLS
City
Happy Valley/Goose Bay
MUSKRAT FALLS
proposed
Mud Lake
GULL ISLAND
proposed
Cartwright
Black Tickle
Paradise River
Norman Bay
Charlottetown
Williams Harbour
Port Hope Simpson
St. Lewis
Mary's Harbour
Strait of Belle Isle
St. Anthony
Main Brook
Roddickton
ATLANTIC OCEAN
Hawke's Bay
Daniel's Harbour
Gat Arm
Proposed
Gulf of St. Lawrence
Rocky Harbour
Springdale
Gander
Hinds Lake
Corner Brook
Grand Falls
Buchans
Upper Salmon
Bay D'Espoir
Burgeo
Channel
Port Aux Basques
Marystown
St. John's